

# **PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA**

**Telecommunications Division\***  
**Public Programs Branch**

**RESOLUTION T-16209**  
**Date: October 22, 1998**

## **R E S O L U T I O N**

RESOLUTION T-16209. TO AMEND THE AMENDED MASTER AGREEMENT FOR CALIFORNIA RELAY SERVICES TO INCREASE THE PER CONVERSATION MINUTE RATE PAID TO SPRINT COMMUNICATIONS SERVICES.

BY LETTER TO THE EXECUTIVE DIRECTOR DATED AUGUST 28, 1998 FROM THE DEAF AND DISABLED TELECOMMUNICATIONS PROGRAM ADMINISTRATIVE COMMITTEE AND SPRINT COMMUNICATIONS SERVICES.

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## **S U M M A R Y**

This Resolution authorizes the First Amendment to the Amended Master Agreement for California Relay Service (CRS) (First Amendment) which has been negotiated between the Deaf and Disabled Telecommunications Program Administrative Committee (DDTPAC) and Sprint Communications Company L.P. (Sprint). The First Amendment raises the reimbursement rate to \$1.09 for all conversation minutes and eliminates the current "center-by-center" method of assessing liquidated damages for failure to comply with average speed of answer and blockage rate requirements. The Amendment also provides that Sprint (1) will remain as a secondary provider until the expiration of the original Master Agreement term on October 11, 1999, and through two one-year extensions of the contract, if the extensions are granted by the DDTPAC; (2) will expend at least \$200,000 per year in outreach programs intended to increase use of CRS in California; and (3) will have an in-state project manager.

## **B A C K G R O U N D**

In 1995 the DDTPAC issued an Invitation for Bid (IFB) for CRS service as the then-current contract was due to expire in 1996. The IFB expressly contemplated a multiple carrier environment, whereby the primary provider would be entitled to use the published 800 number which is dedicated for CRS use. None of the carriers bidding in addition to MCI (who was awarded the contract) was

interested in providing service at the rate proposed by MCI (\$0.699 per conversation minute) so the program continued being offered by a single carrier.

In June of 1997, in Resolution No.16031, the Commission authorized a budget augmentation to supplement the 1997 program budget in order to provide incentives for the DDTPAC to attract additional carriers to provide CRS service as alternate providers and possibly improve the service quality of CRS, which often was less than satisfactory with MCI. In September 1997 the Commission authorized Sprint to begin offering CRS as a secondary provider at the reimbursement rate of \$0.89 per conversation minute, which was the rate bid by Sprint in 1995. In consideration of this higher rate, the Master Agreement was amended to require more extensive liquidated damages for non-performance. Finally, the Amended Agreement allows Sprint, as a secondary CRS provider, to terminate service on 45-days advance notice.

Sprint began offering CRS on September 11, 1997. Sprint has no facilities in California; CRS users are connected to one of Sprint's 10 national centers that provide relay service to the 23 states where Sprint currently has contracts.

In a letter written on July 17, 1998, Sprint put the DDTPAC on notice that unless the proposed contract modifications were presented to the Commission by October 18, 1998, for its approval, Sprint would have to terminate service. Sprint states the primary reason for this action is that the investments made by Sprint over the years to its relay service platform and continued increases in labor costs have made the \$0.89 remuneration rate no longer feasible. On August 3, 1998, Sprint wrote a letter to Commissioner Duque (the lead Commissioner on DDTP matters) reiterating its intent to terminate CRS unless the contract was modified to reflect the following four changes:(1) increasing the per conversation minute rate to \$1.09; (2) eliminating the current "center-by-center" method of assessment of liquidated damages; (3) rescinding the DDTPAC's July 7,1998 request for Sprint to report ASA (average speed of answer) and blockage only for the California calls handled at a center; and (4) changing the DDTP Outreach Program to better educate deaf and hard-of-hearing consumers about the multi-vendor environment.

Sprint's requested changes were considered by the Information for Bid (IFB) Subcommittee of the DDTPAC at its July 30, 1998 meeting. Although the IFB Subcommittee considered and made recommendations for DDTPAC negotiation on items one and two, it did not address the last two items (whether Sprint should segregate out California calls in its ASA and blockage reports to the DDTPAC and Sprint's request for changes to the DDTP outreach program). At its August 4, 1998 meeting, the DDTPAC approved the Subcommittee's recommendations and tabled for later consideration Sprint's third and fourth

requested changes. Sprint agreed to go forward with the contract, being assured by the DDTPAC that the third and fourth issues would be referred back to the IFB Subcommittee for further review.

### NOTICE/PROTESTS

The DDTPAC's letter to the Executive Director of the Commission was dated August 28, 1998. A notice of the letter appeared on the Commission's Daily Calendar on September 25, 1998. No protests were filed.

### DISCUSSION

Due to our commitment to the multiple-vendor environment, we approve the First Amendment for CRS Services to assure that Sprint will continue to offer relay service in California. Our discussion with the DDTPAC indicates that Sprint's service will in no way be compromised by amending the contract. According to the DDTPAC, Sprint's ASA exceeds California's seven-second standard 90% of the time. Additionally, Sprint is in complete compliance with reporting requirements. With respect to the provision of Enhanced Protocol, which increases the speed of relay conversation responses, the Amended Master Agreement required this feature within seven months of offering service. Sprint now provides Enhanced Protocol on a separate 800 number and has stated to the DDTPAC that the feature will be directly available on all CRS call-in numbers by the end of the third quarter in 1999.

Regarding the financial impact on the 1998 DDTP budget by the requested rate increase for Sprint, the DDTPAC estimates the projected cost impact for payments to Sprint to be \$220,250 (1,101,250 billable minutes at \$.20 minute). If this rate were available for MCI as well, this is estimated to result in an additional cost impact of \$1,314,736 (assuming 3,286,834 billable minutes at \$.40) for a total impact of \$1,534,986. Either of these projected increases can be absorbed in the existing CRS budget category, which has been underspent to date. Therefore, there would be no need for a budget augmentation or an increase in the surcharge paid by California ratepayers for 1998. The financial impact of this rate increase for 1999 would be included in the 1999 budget for the DDTP which will be addressed by the Commission by the end of this year. If this rate were available to both carriers throughout 1999, the cost of the CRS program would rise from \$22,176,400 to \$27,159,900 on a projected basis.

Consistent with other amendments to the Master Agreement for CRS, DDTPAC shall be authorized to offer the provisions of the First Amendment to other carriers meeting the criteria required for providing CRS, without prior Commission approval.

A brief summary of the five contract modifications made by approval of the First Amendment is as follows: (1) assessing liquidated damages on a center-by-center basis will be eliminated and liquidated damages will be applied instead on aggregate performance; (2) the current reimbursement rate of \$0.89 is increased to \$1.09 per conversation minute; (3) the current contract provision for terminating CRS at any time with 45-days advance notice is eliminated (The First Amendment binds the carrier to remain a CRS provider through the term of the original Master Agreement, and for any extensions); (4) a new obligation added by the First Amendment requires the carrier to have an in-state account manager for CRS; (5) another obligation added by the First Amendment is that the carrier will spend at least \$200,000 annually in outreach programs to better educate deaf and hard of hearing consumers about the multi-vendor environment.

### **FINDINGS**

1. The Commission is committed to having more than one carrier offer CRS.
2. Sprint has been offering service as an alternative provider since September 11, 1997.
3. Sprint stated in letters to the DDTPAC and to the Commission that it will terminate its relay service if a draft resolution granting Sprint's proposed contract modifications is not before the Commission by October 18, 1998.
4. Sprint's letters requested that the contract be amended to: (1) raise the rate of reimbursement rate to \$1.09 for all conversation minutes; (2) eliminate the current "center-by center method of assessing liquidated damages; (3) rescind the DDTPAC requirement that only California calls be the basis for ASA reporting; and (4) improve DDTP outreach to better educate California consumers about the multi-vendor environment for CRS.
5. The DDTPAC and Sprint negotiated a First Amendment to the Amended Master Agreement for CRS to address Sprint's needs.
6. On August 28, 1998, the DDTPAC submitted for Commission approval a signed copy of the First Amendment.
7. The five changes to the Amended Master Agreement for CRS are discussed in this resolution.
8. The third and fourth concerns raised by Sprint in its letters to the DDTPAC and the Commission (regarding the reporting of ASA for California calls only and whether the DDTP outreach on the multiple vendor environment should

be changed) have not yet been addressed by the DDTPAC, are therefore not included in the First Amendment and will be considered by the IFB Subcommittee and the DDTPAC.

9. The DDTPAC should be authorized to offer the provisions of the First Amendment to other carriers meeting the Amendment's criteria for providing CRS.
10. It is reasonable to authorize Sprint to offer CRS under the terms and conditions of the First Amendment.

**THEREFORE, IT IS ORDERED that:**

1. The First Amendment to the Amended Master Agreement (First Amendment) for California Relay Service (CRS) is hereby approved.
2. The five changes established by the First Amendment are as follows:
  - (a) The remuneration rate for a conversation minute is raised to \$1.09;
  - (b) Liquidated damages are assessed on aggregate performance;
  - (c) The provision that CRS service can be terminated by the carrier at any time with 45 days advance notice is eliminated (The First Amendment binds the carrier to remain a CRS provider through the term of the original Master Agreement, and any extensions);
  - (d) The carrier is required to have an in-state account manager for CRS; and
  - (e) The carrier will spend at least \$200,000 in outreach programs for CRS consumers annually.
3. The Deaf and Disabled Telecommunications Program Administrative Committee (DDTPAC) may offer other carriers the provisions of the First Amendment if they meet the established criteria in the First Amendment and the Amended Master Agreement. A signed copy of the contract between the DDTPAC and any carrier for CRS shall be sent to the Executive Director of the Commission and shall be subject to approval by a Commission resolution.

The effective date of this Resolution is today.

I hereby certify that this Resolution was adopted by the Public Utilities Commission at its regular meeting on October 22, 1998. The following Commissioners approved it:

/s/ WESLEY M. FRANKLIN  
WESLEY M. FRANKLIN  
Executive Director

RICHARD A. BILAS  
President  
P. GREGORY CONLON  
JESSIE J. KNIGHT, JR.  
HENRY M. DUQUE  
JOSIAH L. NEEPER  
Commissioners